

# **NEW HAMPSHIRE STATE LIQUOR COMMISSION**

## **MINUTES OF MEETING – FEBRUARY 25, 2004**

**PRESENT:** Commissioners John Byrne and Patricia Russell; John Bunnell, Administrator of Marketing & Sales; Aidan Moore, Chief of Enforcement; Howard Roundy, Director of Information Technology; Peter Engel, Director of Store Operations; Richard Gerrish, Spirits Marketing Specialist; Nicole Horton, Wine Marketing Specialist; George Tsiopras, Chief Financial Officer.  
Guests: Michael Goclowski, Law Warehouse.

**EXCUSED:** Chairman Anthony Maiola; Craig Bulkley, Bureau Chief of Administrative Services.

### **I. FINANCIAL & ADMINISTRATIVE REPORTS**

#### **1. Financial Reports**

##### **A. Weekly, Y-T-D Sales Reports:**

The SA1000 report for the week ending February 15, 2004 shows retail sales about -9.9%, on-premise sales were down -1.1%, off-premise sales were down -9.3%, and total aggregate sales were down -5.9%. It was noted that last year's total figures were adjusted to subtract Saturday, 2/16/03, which was included in this week's figures due to a hardware problem last week. George said he would forward a more comprehensive explanation of this by e-mail to the Commission. The traffic count was up around 2,000, while the average sales ticket was up just a little over a dollar.

The W-1 Total Weekly Sales report for the same week confirms total sales for the weekly comparison were down -5.9% or (\$367,755), but were up for the year by 8.14% or \$19,052,642. Wine sales decreased for the week by -3.94% or (\$109,467), while they were up by 8.61% or \$9,321,784 for the year. Sales of spirits also decreased by -7.48% or (\$258,289), but were up year-to-date by 7.7% or \$9,731,058.

Although there is one outstanding balance showing on the current depletions and post-offs report, all other accounts have been cleared up and are up to date.

96 gift cards were sold from February 15 through 21, 2004, with the average dollar amount at \$51.53.

The latest Expense Budget Activity Variance Report shows the year to be at around 65.48% expended, with total expenditures at about 65.77% of the budget. George remarked that issues with most of the personnel lines should not be overlooked. He had sent out a report to all chiefs and the Commission

yesterday showing the most recent payroll figures. Goals will be set for the last nine pay periods in the year.

Tomorrow is Accountant Carol Anderson's last day working at the Commission. George has been receiving ten to twelve resumes from potential replacements each day.

The request for hand trucks will go out to bid today. There was brief discussion regarding what factors are causing delays in getting equipment requests processed.

**2. IT Report**

It has been a relatively quiet week in Information Technology. OITM has approved the pin pad software change which will enable up to twelve digits on debit cards to be accepted. A submission has been made to OIT to obtain a Verasign certificate to accept credit card information over the Internet securely, which will allow us to sell gift cards on line.

Information has been developed to help Store Operations personnel understand the current problems with Class 50 money shortages. A few more adjustments are needed before this is ready for demonstration at next week's meeting.

Purchasing personnel are questioning whether enough manufacturing opportunity was provided for the hand-held telxon scanners. Howard has written a two-page justification for this. The purchase order for this equipment will go out in three to four days, with vender delivery due in about a month. Because they will not be received in time, the Commission decided to have the broken telxons repaired for use during inventory at the end of March.

Arrangements have been made with Enforcement to install the new lap top computers in the offices on March 7<sup>th</sup>.

**II. MARKETING & SALES REPORTS**

**1. Store Operations**

Total store sales for the week ending 2/22/04 were up 8.09% or \$386,942.80. Howard and George are working with Store Operations to get information out to the stores regarding Class 50 shortages.

Peter asked for some direction from the Commission regarding the new locations for Seabrook and Bedford which are still in holding patterns. The landlords for Seabrook are willing to make modifications at their own expense, and their attorney is currently reviewing that lease. Peter will be

speaking with them again this week. The attorneys for Hannaford are also reviewing the lease for the Bedford store. George explained that the leases can be funded, but renovations may be a problem. Commissioner Byrne felt that the locations should be secured now, if only for short term use. Peter will check with the lessors as to where they stand on the leases.

A representative from Law was present at yesterday's Supervisor's meeting. Law has major concerns that the loading process is being impeded, due to the short staffing in stores, which reflects vacant positions and a Class 50 shortfall. Also, Law has some new constraints for drivers to deal with.

Interviews were conducted for the vacant positions which received waiver approval. There will hopefully be recommendations to fill these positions ready for Commission action next week. Peter mentioned that some changes have been made in the territories assigned to several Supervisor/Managers.

2. Purchasing Report

Purchases and out-of-stocks are in good shape at this time.

Mike Goclowski handed out a report on basic web stats for the Commission showing which vendors and/or brokers are using it and frequency of the usage. The elimination of the old system and transfer onto the new went fairly smoothly. Active licensees are basically ordering once a week, and about 100,000 cases have been processed. Mike is working with the Hannaford programmers to develop a specialty file, and he will also be speaking with DeMoulas and Shaws personnel relative to doing this. Commissioner Byrne asked what percentage of customers, dollar sales and orders are going through the web site. Mike is also working with John Bunnell to create a list of all licensees faxing their orders in to the Commission. 20,000 reports have been run over the web site. Mike is trying to find out who the largest users are and to determine what information is the most valuable.

3. Merchandising Report

1) Test Market Products:

a. Test Market Request (Bulleit Bourbon):

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve a request from United Beverages, Inc./Diageo North America for a new test market listing for Bulleit Bourbon, 750ML size (assigned Code #8178), as recommended by Richard Gerrish, Spirits Marketing Specialist. The motion was unanimously adopted.

b. Test Market Request (Arrow Sour Apple Liqueur):

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that a request from United Beverages, Inc./David Sherman Corporation for a new test market listing for Arrow Sour Apple Liqueur, 750ML size, be referred back to the broker for competitive pricing changes. The motion was unanimously adopted.

c. Test Market Request (Zaya Rum):

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve a request from Martignetti Companies of N.H. for a new test market listing for Zaya Rum, 750ML size (assigned Code #4250), to be carried in Cluster 1, 2 and 3 stores only, as recommended by Richard Gerrish, Spirits Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

d. Test Market Request (Vincent Van Gogh Melon Vodka):

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve a request from Martignetti Companies of N.H. for a new test market listing for Vincent Van Gogh Melon Vodka, 750ML size (assigned Code #3438), to be carried in Cluster 1, 2 and 3 stores only, as recommended by Richard Gerrish, Spirits Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

e. Test Market Results (Codes #2161 and #4552):

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission grant specialty status to Code #2161, Canadian Club Classic 12-Year Old, 750ML size, which exceeded the gross profit required for specialty listing at the conclusion of a six-month test market period, and delist Code #4552, Papagayo Spiced Rum, 750ML size, which failed to earn both the gross profit required for full distribution and for specialty status at the conclusion of a six-month test market period, as recommended by Richard Gerrish, Spirits Marketing Specialist. The motion was unanimously adopted.

2) Line Extension (Salvador Margarita, 200 ML):

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission deny a request from United Beverages, Inc./David

Sherman Corporation for a size extension for Salvador Margarita, 200ML size, as this product in the 1.75L size has not achieved the gross profit required for an added size, as recommended by Richard Gerrish, Spirits Marketing Specialist. The motion was unanimously adopted.

3) Consumer Sweepstakes (April/May):

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve a request from United Beverages, Inc./Diageo North America/Schieffelin & Somerset, to conduct a consumer sweepstakes in conjunction with the promotion of Grand Marnier, Jose Cuervo Especial, Jose Cuervo Traditional, Jose Cuervo Authentics, and Don Julio Blanco and Anejo Tequilas during April and May 2004, as recommended by Richard Gerrish, Spirits Marketing Specialist. The motion was unanimously adopted.

4) April Special Offers (89 items – Horizon Beverage Company):

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve special offers from Horizon Beverage Company, based upon depletions of eighty-nine (89) spirit items, to be featured on sale during April 2004, as recommended by Richard Gerrish, Spirits Marketing Specialist. The motion was unanimously adopted.

B. WINES:

1) Special Offers for the Spring Promotion Sale 2004 (38 items):

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve special offers from Executive Wine & Spirits/Martignetti Companies of N.H., based upon depletions of thirty-eight (38) wine items, to be featured on sale during the Spring Promotion Sale in April 2004, as recommended by Nicole Horton, Wine Marketing Specialist. The motion was unanimously adopted.

2) Special Offers for April 2004:

a. 8 items – M.S. Walker, Inc. (Weber Gas Grill 2004):

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve special offers from M.S. Walker, Inc., based upon depletions of eight (8) wine items, to be featured on sale during the Weber Gas Grill promotion in April 2004, as recommended by Nicole Horton, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

- b. 3 items – Horizon Beverage Company:

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve special offers from Horizon Beverage Company, based upon depletions of three (3) wine items, to be featured on sale during April 2004, as recommended by Nicole Horton, Wine Marketing Specialist. The motion was unanimously adopted.

- c. 106 items – Martignetti Companies of N.H.:

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve special offers from Martignetti Companies of N.H., based upon depletions of one hundred and six (106) wine items, to be featured on sale during April 2004, as recommended by Nicole Horton, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

- 3) Special Offers for May 2004 (14 items – Pine State/E&J Gallo):

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve special offers from Pine State Trading Company/E & J Gallo Winery, based upon depletions of fourteen (14) wine items, to be featured on sale during May 2004, as recommended by Nicole Horton, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

- 4) Recommended Wine Specialty Products:

- a. 11 items:

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve the listing of eleven (11) wine codes as wine specialty products, to be carried in wine specialty stores, as recommended by Nicole Horton, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

- b. 5 items:

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve the listing of eleven (11) wine codes as wine specialty products, to be carried in wine specialty stores, as recommended by Nicole Horton, Wine Marketing Specialist and

concurring by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

5) Recommended Allocated Wines for Distribution to Selected Stores (14 items):

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve the distribution of fourteen (14) allocated wine codes to selected stores, as recommended by Nicole Horton, Wine Marketing Specialist. The motion was unanimously adopted.

6) “R” Wines for Allocation to Licensees and Retail Distribution (9 items):

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve the allocation of nine (9) “R” wine codes to licensees selected by the broker, and retail distribution, as recommended by Nicole Horton, Wine Marketing Specialist. The motion was unanimously adopted.

7) Sweepstakes Mirassou Wines:

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve a request from E & J Gallo Winery to conduct a sweepstakes in conjunction with the promotion of Mirassou wines during April 2004, as recommended by Nicole Horton, Wine Marketing Specialist. The motion was unanimously adopted.

8) Non-Recommendation Wine Blenders:

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission deny a request from Horizon Beverage Company/Canandaigua Wine Company for specialty listings for three (3) Arbor Mist wine blenders, 1.5L sizes, as recommended by Nicole Horton, Wine Marketing Specialist and concurring by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

9) Primary Source Submissions (8 items – primary source; 17 items – exclusive agent; 23 items – imported):

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve the listing of eight (8) wine codes which are from primary source, seventeen (17) wine codes which are not from primary source, but are offered by the exclusive marketing agent, and twenty-three (23) wine codes which are not from primary source, but are imported, as recommended by Nicole Horton, Wine Marketing Specialist and concurring by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

**III. ENFORCEMENT & LICENSING REPORTS – None.**

**IV. CHAIRMAN’S REPORT & LATE ITEMS**

**1. Bailment Requests:**

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve all previously reviewed requests for bailment releases/transfers dated February 19 through February 25, 2004. The motion was unanimously adopted.

**2. Coupon Approvals:**

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve all previously reviewed coupon (pad, necker and consumer offer) requests for the month of March 2004. The motion was unanimously adopted.

**3. Late Items/Other:      None.**

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John W. Byrne, Commissioner

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Patricia T. Russell, Commissioner

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